

BENTON CONSERVATION DISTRICT No. 32
Special Audit
Benton County, Washington
January 1, 1994 Through August 31, 1994

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified

Our audit of the financial records of Benton Conservation District revealed that at least \$6,241.15 in public funds was misappropriated by the district manager during the period January 1, 1994, through August 24, 1994. Accounting records were falsified in an attempt to conceal these losses. There were no federal funds involved in this case. These funds were misappropriated as described below.

During the period February 2, 1994, through August 24, 1994, the district manager issued nine checks to himself from the district's checking account. These checks were cashed locally for his own personal use. He forged the two authorizing signatures on each of these checks. The information regarding payee, purpose, and accounting information for seven of these checks was falsely entered on the district's check register. The remaining two checks had been removed from the checkbook; however, no information had been entered in the check register for these transactions.

When the district discovered the unauthorized use of the checking account, a "Stop Payment Order" was issued to the bank. As a result of the timeliness of this notification the bank assumed liability for six of these checks amounting to \$4,311.65. A local market had cashed one of the checks in the amount of \$939.50. This check was not honored by the bank because of the "Stop Payment Order". Accordingly, the direct net loss to Benton Conservation District was reduced to \$990.00

RCW 9A.56.030 states:

(1) A person is guilty of theft in the first degree if he commits theft of:

(a) Property or services which exceed(s) one thousand five hundred dollars in value

(2) Theft in the first degree is a class B felony.

RCW 9A.60.020 states:

(1) A person is guilty of forgery if, with intent to injure or defraud:

(a) He falsely makes, completes, or alters a written instrument or;

(b) He possesses, utters, offers, disposes of, or puts off as true a written instrument which he knows to be forged.

(2) Forgery is a class C felony.

RCW 9A.20.021 states in part:

(1) Felony. No person convicted of a classified felony shall be punished by confinement or fine exceeding the following . . .

(b) For a class B felony, by confinement in a state correctional institution for a term of ten years, or by a fine in an amount fixed by the court of twenty thousand dollars, or by both such confinement and fine;

(c) For a class C felony, by confinement in a state correctional institution for five years, or by a fine in an amount fixed by the court of ten thousand dollars, or by both such confinement and fine

The following internal control weaknesses allowed this misappropriation to occur and not be detected timely manner.

- a. A lack of segregation of duties. The district manager was solely responsible for practically all of the accounting functions performed within the district. His duties included the writing of checks, maintaining the check register and accounting records, and reconciling the checking account. Thus, he was able to circumvent the district's internal control procedures.
- b. Lack of adequate monitoring and review. District supervisors did not provide adequate review and oversight of the district's checking account and accounting functions. However, when a second person was hired to assist in the accounting functions, the misappropriation of funds was promptly detected.

We recommend Benton Conservation District seek recovery of the resulting loss from the misappropriation of \$990.00 and related audit/investigation costs of \$1,290.66, from the district manager and their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Benton County Prosecuting Attorney review this matter and take whatever actions is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for the district manager position is as follows:

American States Insurance Company
Crime Coverage
Policy No. 01-F1-708739-1
\$5,000
April 12, 1993 to April 12, 1995

We also recommend the district review overall accounting controls, correct the weaknesses outlined above, and implement an effective system of internal controls to ensure the protection of the district's assets.